

**Statutory corporate governance report  
cf. Section 107(b) of the Danish Financial Statements Act**



## **Corporate governance in MT Højgaard A/S**

*MT Højgaard A/S (MTH) is owned by the two companies Højgaard Holding A/S (54%) and Monberg & Thorsen A/S (46%), both of which are listed on Nasdaq Copenhagen, and MTH therefore operates as a listed company.*

This report is an integral part of the Management's review in MTH's annual report for 2016, which covers the period 1 January 2017 – 31 December 2017.

The report describes MTH's management structure and the key elements of the company's internal control and risk management systems related to the financial reporting. The report also describes MTH's position on Recommendations on Corporate Governance, which can be viewed at [www.corporategovernance.dk/english](http://www.corporategovernance.dk/english) and have been implemented in Nasdaq Copenhagen's Rules for Issuers of Shares. MTH's Board of Directors has taken a position on the recommendations, which MTH complies with where possible.

As MTH is not listed directly, the Group does not comply with all recommendations, and some recommendations are complied with in part only. Reference is made, to some extent, to the two listed owner companies, which, in principle, comply with Recommendations on Corporate Governance.

The statutory corporate governance reports of the listed owner companies can be viewed at [www.hojgaard.dk](http://www.hojgaard.dk) and [www.monthor.com](http://www.monthor.com).

February 2018

## **Management structure**

The shareholders consist of the two companies, which can exercise their rights at the Annual General Meeting, the company's supreme body.

### **Board of Directors**

MTH's Board of Directors takes care of the company's general management, makes decisions of a strategic nature and oversees the Executive Board.

The Board comprises nine members. Of these, six are elected by the shareholders and three by the employees. The members elected by the shareholders are elected at the general meeting for a one-year term but can stand for re-election. The term of office of employee representatives is four years as stipulated in the Danish Companies Act.

The Board's activities are governed by its rules of procedure, which have been prepared in accordance with the provisions of the Danish Companies Act and are revised annually. The Board met five times in 2016.

The shareholders in general meeting elect no less than three and no more than nine members to the company's Board. Besides these members, the Board also consists of employee representatives. The Board currently has nine members, three of whom have been elected by the employees. The Board of Directors meets at least five times a year. The terms of reference for the Committee can be viewed at [www.mth.com](http://www.mth.com).

### **Audit Committee**

The Board of Directors has established a formal Audit Committee. The Committee assists the Board in overseeing the financial reporting process and reviewing the adequacy and effectiveness of the internal control systems. The Committee also helps oversee that applicable legislation is being complied with, that the accounting policies are relevant and current, and the manner in which material and exceptional items are accounted for. The Committee also assesses and makes recommendations in relation to the appointment of auditors at MTH's Annual General Meeting.

### **Executive Board**

MTH's Executive Board is appointed by the Board of Directors and is responsible for the company's day-to-day management. The Executive Board is responsible for implementing the Group's strategy and decisions once these have been approved by the Board of Directors.

### **Changes in 2017**

There was two changes to MT Højgaard's Board of Directors in 2017.

## **Internal control and risk management**

The Group's accounting and control systems ensure that internal and external financial reporting gives a true and fair view without material misstatement, including that the accounting policies are adequate.

The Group's accounting and control systems provide reasonable, but not absolute, assurance against material errors and omissions in the financial reporting.

The Board of Directors and the Executive Board regularly review material risks and internal controls in connection with the Group's activities and their potential impact on the financial reporting process.

## **Control environment**

The Board of Directors considers that management's approach is fundamental to good risk management and internal control in connection with the financial reporting process. The Board of Directors and the Executive Board therefore continuously endeavour to ensure good risk management and internal control in connection with the financial reporting process.

The Executive Board is responsible for ensuring that the Group's control environment provides a proper basis for the preparation of the financial reporting. Managers at various levels are responsible for their respective areas.

The Board of Directors and the Executive Board have defined targets and values that form part of the basis for the Group's strategic development and business plans. In addition, policies, procedures and controls have been established in key areas in connection with the financial reporting process, all on the basis of a clear and available descriptions of organisational structure, reporting lines and authorisation and approval procedures, and relevant segregation of duties has been established.

## **Risk assessment**

The risk of errors is greatest in the items in the financial statements that are based on estimates or are generated through complex processes. The Executive Board ensures and coordinates a risk assessment procedure aimed at identifying such items and stating the extent of the associated risks.

The risk management and reporting reflect the fact that the principal business risks in a construction and civil engineering company are in the contracting and execution phases of each project.

## **Control activities**

The purpose of control activities is to prevent, detect and correct any errors or irregularities and to enable estimates to be made that are reasonable in the circumstances.

These activities are integrated in the integrated management systems, financial reporting manuals and business procedures of the individual business areas and subsidiaries. They include approval procedures for contracting of new projects that ensure initial risk assessment and management involvement at various levels, depending on project size and type. Procedures are also in place for monthly reviews with the responsible senior management, including of the risk assessment of the individual projects and of project stage based on updated accounting records and updated expectations concerning remaining production.

A controller function that is independent of management in the commercial units participates in material project reviews in order to verify that the reporting of income and expenses on projects presents a true and fair view.

The recognition of claims and disputes in the financial statements is based on assessments and reports from the Group's legal department. External lawyers are involved in assessments on major claims and disputes.

Lastly, a number of procedures are in place for verifications, authorisations, approvals, reconciliations and analyses of results as well as IT application controls, and more general IT controls.

### **Information and communication**

The Group maintains internal information and communications systems to ensure that the financial reporting is correct, complete and adequate.

Integrated management systems, financial reporting manuals and other reporting instructions are regularly updated. Changes in policies and accounting procedures are disclosed and explained to the parties involved on an ongoing basis.

### **Monitoring**

The Board of Directors monitors the overall disclosure level in the Group's financial reporting. In addition, the Board has set up an Audit Committee to assist the Board of Directors in the monitoring of the financial reporting process and to review the adequacy and effectiveness of the internal control systems (see the report on the Group's corporate governance), including that applicable legislation is being complied with, that the accounting policies are relevant and current, and the manner in which material and exceptional items are accounted for.

The Group uses financial, reporting and control systems to monitor its activities. The systems enable the Group to detect and correct any errors or irregularities in the financial reporting at an early stage. This includes any weaknesses detected in internal controls or non-compliance with procedures and policies.

The Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act. All business areas and subsidiaries must comply with the accounting policies, and the Group also has a financial reporting manual that is updated and reviewed on a regular basis. Compliance with the accounting policies and the manual is monitored at Group level.

Formal confirmations of compliance with accounting policies are obtained annually from all subsidiaries, and requirements concerning compliance with relevant Group policies are incorporated in the companies' rules of procedure.

All consolidated enterprises report detailed monthly accounting data. These financial data are analysed and monitored at Group and other management levels.

The report concerns the financial year **01-01-2017 – 31-12-2017** for MT Højgaard A/S

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<b>1. Communication and interaction by the company with its investors and other stakeholders</b>				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
<p>1.1.1. The Committee <b>recommends</b> that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.</p>	√			<p>MT Højgaard A/S (MTH) is owned by the two listed companies Højgaard Holding A/S (54%) and Monberg &amp; Thorsen A/S (46%). Both companies' shares are listed on Nasdaq Copenhagen, and these companies and the MTH Group are consequently subject to the disclosure requirements and other rules for listed companies. The Group wishes to keep the public – including investors, analysts, the media and other stakeholders – openly, accurately and fully informed, in particular about results achieved and the planned and expected development. The aim is to achieve a steady high level of information, active distribution of news as well as equal access to information.</p> <p>Stock exchange-related</p>

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				announcements, including annual reports and interim financial reports, are available on MTH's and its owner companies' websites and are distributed directly to subscribers.
1.1.2. The Committee <b>recommends</b> that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.	√			The Board of Directors has adopted an Investor Relations policy to ensure that the listed owner companies' disclosure obligations are complied with. The policy is also designed to increase and maintain the stock market's awareness of and confidence in the MTH Group.  Because of the limited complexity of the Group's tax affairs, MTH has not adopted a tax policy.
1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports	√			Annual reports and interim financial reports are published on the company's website immediately after the meeting of the Board of Directors.
<b>1.2. General meeting</b>				
1.2.1. The Committee <b>recommends</b> that when organizing the company's general meeting, the board of directors plans the meeting to support active ownership.	√			



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1.2.2. The Committee <b>recommends</b> that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	√			Voting rights may be exercised by proxy at the Annual General Meeting.
<i>1.3. Takeover bids</i>				
1.3.1. The Committee <b>recommends</b> that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.		√		MTH is owned by Højgaard Holding A/S (54%) and Monberg & Thorsen A/S (46%). A shareholders' agreement has been entered into regarding the ownership of the shares in MTH. The completion of a takeover bid for one of the owner companies may result in changes in the ownership and other terms and conditions related to the companies' shareholdings in MTH. As neither owner has control, this would require predominantly agreement between the parties. A specific contingency procedure has consequently not been established, but a shareholders' agreement exists.
<b>2. Tasks and responsibilities of the board of directors</b>				
<i>2.1. Overall tasks and responsibilities</i>				
2.1.1. The Committee <b>recommends</b> that at least once a year the board of directors take a position on the matters related to the	√			At least once a year, the Board of Directors defines its most important

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board's performance of its responsibilities.				tasks related to the financial and managerial control of the Group, including how to supervise the work of the Executive Board and ensure the auditor's independence.
2.1.2. The Committee <b>recommends</b> that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	√			The Board of Directors assesses and determines the overall strategy at least once a year with a view to ensuring value creation in the Group. In this connection the Board, in cooperation with the Executive Board, assesses whether the necessary competences and financial resources are in place to enable the Group to achieve its goals.
2.1.3. The Committee <b>recommends</b> that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and longterm value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website.	√			The share structure and ownership structure are described under 'Ownership' on the company's website <a href="http://www.mthgroup.com">www.mthgroup.com</a> . Reference is also made to the two owner companies' websites, <a href="http://www.hojgaard.dk/?lang=en">www.hojgaard.dk/?lang=en</a> and <a href="http://www.monthor.com">www.monthor.com</a> , where the ownership structure is also described in greater detail.
2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on	√			The Board of Directors reviews and approves the rules of procedure for the Executive Board annually. This includes establishing requirements for the

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timely, accurate and adequate reporting to the board of directors.				Executive Board's timely, accurate and adequate reporting to the Board of Directors and for any other communication between the Executive Board and the Board of Directors.
2.1.5. The Committee <b>recommends</b> that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.	√			Once a year, the Board of Directors discusses the composition of the Executive Board, as well as developments, risks and succession plans.
2.1.6. The Committee <b>recommends</b> that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.	√			The Board of Directors discusses the Group's activities once a year to ensure diversity at the Group's management levels, including equal opportunities for both genders, and the Board sets specific targets for the gender composition of the supreme governing body. MTH accounts for objectives and progress made in achieving the objectives in the Group's CSR report.
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.	√			In its CSR policy, MTH confirms its commitment to conducting its activities in an ethical manner. The CSR policy comprises the Group's commitments in terms of integrity, fairness and social

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				responsibility. See <a href="http://mthgroup.eu/Responsibility/CSR">http://mthgroup.eu/Responsibility/CSR</a> ,where the CSR report is published in accordance with the principles of the Global Reporting Initiative.
<b>2.3. Chairman and vice-chairman of the board of directors</b>				
2.3.1. The Committee <b>recommends</b> appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman’s absence, and who will also act as effective sparring partner for the chairman.	√			The Board of Directors appoints a Chairman and a Deputy Chairman. The Deputy Chairman acts as Chairman in the Chairman’s absence and also acts as a sounding board for the Chairman. The tasks, duties and responsibilities of the Chairman and Deputy Chairman are set out in the Board’s rules of procedure.
2.3.2. The Committee <b>recommends</b> ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman’s participation in day-to-day management and the expected duration hereof should be published in a company announcement.	√			In cases where the Chairman of the Board of Directors performs special operating activities for the company this is disclosed in a company announcement.
<b>3. Composition and organization of the board of directors</b>				

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<b>3.1. Composition</b>				
<p>3.1.1. The Committee <b>recommends</b> that the board of directors annually accounts for</p> <ul style="list-style-type: none"> <li>the skills it must have to best perform its tasks,</li> <li>the composition of the board of directors, and</li> <li>the special skills of each member.</li> </ul>	√			Recommendations regarding the election of members to the Board of Directors reflect the owners' assessments of the skills the Board should have to best perform its tasks.
<p>3.1.2. The Committee <b>recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.</p>	√			The members of the Board of Directors are elected by the shareholders in general meeting based on recommendations by the two owner companies. The recommendations reflect the owners' assessments of the skills the Board should have to best perform its tasks. The need for integration of new talent and diversity in relation to, for example, experience, gender and age is also taken into consideration.
<p>3.1.3. The Committee <b>recommends</b> that a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> <li>other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of</li> </ul>	√			<p>The Board carries out a thorough analysis and selection of the candidates proposed.</p> <p>In connection with the notice of general meeting a detailed description of the candidates is provided, in accordance with the relevant recommendations.</p>

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<p>members to the board of directors is on the agenda.</p> <ul style="list-style-type: none"> <li>• demanding organizational tasks, and information</li> <li>• about whether candidates to the board of directors are considered independent.</li> </ul>				
<p>3.1.4. The Committee <b>recommends</b> that the company's articles of association stipulate a retirement age for members of the board of directors.</p>	√			<p>In its Articles of Association, the Group has set an age limit of 70 for members of the Board of Directors.</p>
<p>3.1.5. The Committee <b>recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	√			<p>Members to the Board of Directors elected by the shareholders in general meeting are elected for a one-year term, but can stand for re-election. The year in which each member of the Board joined the Board is disclosed in the annual report.</p>
<p><b>3.2. Independence of the board of directors</b></p>				
<p>3.2.1. The Committee <b>recommends</b> that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests. To be considered independent, this person may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,</li> <li>• within the past five years, have received larger emoluments from the company/group,</li> </ul>			√	<p>The members of the Board elected by the shareholders in general meeting are nominated by the two owner companies and are thus not independent according to the definition of this term in the recommendations.</p>

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<ul style="list-style-type: none"> <li>• a subsidiary undertaking or an associate in another capacity than as member of the</li> <li>• board of directors,</li> <li>• represent the interests of a controlling shareholder,</li> <li>• within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.</li> <li>• be or within the past three years have been employed or partner at the external auditor,</li> <li>• have been chief executive in a company holding cross-memberships with the company,</li> <li>• have been member of the board of directors for more than 12 years, or</li> <li>• have been close relatives with persons who are not considered independent.</li> </ul>				
<b>3.3. Members of the board of directors and the number of other executive functions</b>				
3.3.1. The Committee <b>recommends</b> that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.	√			Each member of the Board regularly assesses the expected time commitment for each function and does not take on more functions than he/she can manage satisfactorily for the company.
3.3.2. The Committee <b>recommends</b> that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members	√			A description of the composition of the supreme governing body is provided in the annual report. For each Board member, the annual report also states

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<p>of the board of directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the relevant person,</li> <li>• whether the member is considered independent,</li> <li>• the date of appointment to the board of directors of the member,</li> <li>• expiry of the current election period,</li> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and</li> <li>• demanding organizational tasks, and</li> <li>• the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.</li> </ul>				<p>position, other executive positions, gender, number of shares and age. The annual report also states when each member joined the Board, when the member was most recently re-elected and when their current term ends.</p>
<p><b>3.4. Board committees</b></p>				
<p>3.4.1. The Committee <b>recommends</b> that the company publish the following on the company's website:</p> <p>The terms of reference of the board committees,</p> <ul style="list-style-type: none"> <li>• the most important activities of the committees during the year, and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members</li> </ul>	<p>✓</p>			<p>The company's website, <a href="http://www.mthgroup.eu/Finance/Reports">www.mthgroup.eu/Finance/Reports</a>, and the annual report provide information on the members of MTH's Board of Directors, including membership of the Group's committees, and the relevant terms of reference.</p>



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have special qualifications.				
3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.			√	The members of the Board elected by the shareholders in general meeting are chosen by the two owners and are thus not independent.
<p>3.4.3. The Committee <b>recommends</b> that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> <li>• the chairman of the board of directors is not chairman of the audit committee, and</li> <li>• between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.</li> </ul>	√			<p>The Board of Directors has established a formal Audit Committee. The Committee assists the Board in overseeing the financial reporting process and reviewing the adequacy and effectiveness of the internal control systems.</p> <p>The Chairman of the Board of Directors is not a member of the Audit Committee.</p> <p>The Committee consists of three members, who have been appointed by the Board on the basis of their special expertise and experience in financial reporting and accountancy and audit matters in listed companies.</p>
<p>3.4.4. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> <li>• significant accounting policies,</li> <li>• significant accounting estimates,</li> </ul>	√			The Audit Committee assists the Board of Directors in overseeing the financial reporting process and reviewing the adequacy and effectiveness of the internal control systems. The Audit Committee also helps the Board of

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<ul style="list-style-type: none"> <li>related party transactions, and</li> <li>uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>				Directors oversee that applicable legislation is being complied with, that the accounting policies are relevant and current, and the manner in which material and exceptional items are accounted for.
<p>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and</li> <li>monitor the executive board’s follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	√			The Audit Committee assesses the need for an internal audit function annually.
<p>3.4.6. The Committee <b>recommends</b> that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,</li> <li>annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,</li> <li>annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,</li> </ul>			√	<p>Because of the Group’s ownership, it is not relevant for MTH to establish a nomination committee.</p> <p>The work is carried out by the Board of Directors on behalf of the owner companies.</p>

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<ul style="list-style-type: none"> <li>consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and</li> <li>propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>				
<p>3.4.7. The Committee <b>recommends</b> that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,</li> <li>make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and</li> <li>recommend a remuneration policy applicable for the company in general.</li> </ul>	√			<p>The Board of Directors has established a remuneration policy for the Board of Directors and the Executive Board. The policy is presented to and approved by the shareholders in general meeting annually. The policy includes a detailed description of the components of the remuneration, the reasons for selecting each component and the criteria on which the balance between the individual components is based.</p> <p>The Remuneration Committee consists of the chairmanship.</p>
<p>3.4.8. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>		√		<p>In some cases, the Committee consults the same adviser as the Executive Board.</p>

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<i>3.5. Evaluation of the performance of the board of directors and the executive board</i>				
3.5.1. The Committee <b>recommends</b> that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.	√			The Board has set up a formalised, recurring procedure for evaluating the performance and results of the full Board, the individual members and the Executive Board.
3.5.2. The Committee <b>recommends</b> that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.	√			At least once a year ahead of the Annual General Meeting, the Board assesses whether the number of members is appropriate in relation partly to the Group's current and expected needs, and partly the opportunities for constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.
3.5.3. The Committee <b>recommends</b> that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.	√			See 3.5.1. An evaluation is carried out annually at a meeting of the Board of Directors.
3.5.4. The Committee <b>recommends</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalized dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of	√			See the above and 3.5.1.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
the evaluation be presented to the board of directors.				
<b>4. Remuneration of management</b>				
<i>4.1. Form and content of the remuneration policy</i>				
<p>4.1.1. The Committee <b>recommends</b> that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including</p> <ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> <li>• the reasons for choosing the individual components of the remuneration, and</li> <li>• a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul> <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>		√		<p>The Board of Directors has established a remuneration policy for the Board of Directors and the Executive Board. The policy is presented to and approved by the shareholders in general meeting. The policy includes a detailed description of the components of the remuneration, the reasons for selecting each component and the criteria on which the balance between the individual components is based. The remuneration policy is published on the company's website <a href="http://www.mthgroup.eu/Responsibility/CSR">www.mthgroup.eu/Responsibility/CSR</a></p>
<p>4.1.2. The Committee <b>recommends</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced linkage be ensured between</li> </ul>	√			<p>The remuneration policy is published on the company's website <a href="http://www.mthgroup.eu/Responsibility/CSR">www.mthgroup.eu/Responsibility/CSR</a></p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,</p> <ul style="list-style-type: none"> <li>• there be clarity about performance criteria and measurability for award of variable components,</li> <li>• there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and</li> <li>• an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</li> </ul>				
<p>4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options.</p>	√			<p>The members of the Board of Directors do not receive remuneration in the form of share options.</p>
<p>4.1.4. The Committee <b>recommends that</b> if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.</p>	√			<p>The members of the Board of Directors do not receive remuneration in the form of share options.</p>
<p>4.1.5. The Committee <b>recommends that</b> agreements on termination payments should not amount to more than two years' annual remuneration.</p>	√			<p>Resolutions to appoint or dismiss members of the Executive Board may only be adopted if both the Chairman and the Deputy Chairman vote in favour. Termination payments do not exceed an amount corresponding to the last two years' remuneration.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<i>4.2. Disclosure of the remuneration policy</i>				
4.2.1. The Committee <b>recommends</b> that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	√			The remuneration policy is presented to and approved by the shareholders in general meeting.
4.2.2. The Committee <b>recommends</b> that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	√			Members of the Board of Directors receive annual remuneration, which is determined by the shareholders in general meeting.
4.2.3. The Committee <b>recommends</b> that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.	√			A breakdown of management remuneration is provided in note 6 to the annual report, including information on the warrant programme established for the Group management.
<b>5. Financial reporting, risk management and audits</b>				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
5.1.1. The Committee <b>recommends</b> that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk	√			The company's annual report and this statutory corporate governance report include a section on risk that sets out strategic risk factors, project risks, organisational risk factors, regulatory

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
management.				risk factors, financial risk factors and allocation of responsibilities.
<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee <b>recommends</b> that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	√			The Board of Directors has established a whistleblower scheme that enables employees and business partners to report non-compliances with the Group's policies or unlawful acts such as fraud, bribery or corruption. Reports on actual or suspected wrongdoing are made to an independent law firm which will in each case carefully and without any interference consider the facts and documentation of the matter before management makes a decision about the consequences, if any.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee <b>recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.	√			The Audit Committee assesses the auditors appointed by the shareholders at the Annual General Meeting on a continuous basis and makes recommendations to the Board in relation to the Board's recommendation of auditors for appointment at the Annual General Meeting.



Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				The Board meets with the auditors at least once a year without the Executive Board present.
5.3.2. The Committee <b>recommends</b> that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.	√			Agreements on audit services and fees for same are entered into between the Board of Directors and the auditors based on the Audit Committee's recommendations.